



SCS HOUSING METHODOLOGY COMMITTEE

March 8, 2012 | 10:00 a.m. to 1:00 p.m.

San Francisco Bay Conservation and Development Commission
McAteer Petris Conference Room
50 California Street, Suite 2600, San Francisco, CA 94111

Lunch is Provided for Committee Members

Estimated Time
for Agenda Item

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for Agenda Item |
|---|-----------------------------------|
| 1. Convene Meeting (Doug Johnson, MTC)
<i>Announcements, information, and summary of last meeting.
Overview of agenda and objectives.</i> | 10:00 a.m. |
| 2. Overview of the Preferred Land Use Scenario (Ken Kirkey, ABAG)
<i>Update on draft report.
Progress and key distinctions.</i> | 10:10 a.m. |
| 3. Review of Draft Methodology (Miriam Chion, ABAG)
<i>Clarification and review of current methods.
Considerations developed from last meeting.</i> | 10:30 a.m. |
| 4. Small Group Discussions on Draft Methodology (Miriam Chion, ABAG)
<i>Develop consensus from the HMC.</i> | 11:00 a.m. |
| 5. Develop HMC Recommendations to ABAG Executive Board (Doug Johnson, MTC)
<i>Report back from small group discussion and summary of HMC suggestions.</i> | 12:00 p.m. |
| 6. Next Steps/Other Business/Public Comments | 12:45 p.m. |

Next Meeting:

Thursday, April 26, 2012 at 10:00 a.m.

BCDC, 50 California Street, Suite 2600, San Francisco 94111

The SCS Housing Methodology Committee (HMC) is comprised of local government planning staffs, elected officials and stakeholder groups. The HMC provides input to regional agency staff on the Regional Housing Need Allocation and related Regional Transportation Plan/Sustainable Communities Strategy work elements.

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MEMO

Date: March 8, 2012
To: Housing Methodology Committee (HMC)
From: Ken Kirkey, ABAG Director of Planning and Research
Subject: Overview of Regional Housing Needs Determination (RHND) Methodology

State legislation enacted in 1980 (Chapter 1143, Statutes of 1980; AB 2853) requires each community to plan for its share of the state's housing need, for people at all income levels. The California Department of Housing and Community Development (HCD) determine the RHND or total housing need for each region in the state. As the Council of Governments for the San Francisco Bay Area, it is ABAG's responsibility to distribute the need amounts to local governments. This mandated process is the Regional Housing Need Allocation (RHNA) and is based on an eight-year zoning capacity and assumes complete market feasibility.

By statute, ABAG has an opportunity to consult with HCD about how their assumptions and methodology in developing the need determination compare to the regional population forecasts that are used in the Regional Transportation Plan (RTP). Since 1980, it has been ABAG's responsibility to distribute this need to local governments. With the passage of SB 375, the housing allocation plan must allocate housing units within the region consistent with the development pattern included in the Sustainable Communities Strategy (SCS), which identifies a network of neighborhoods that can accommodate housing over 25 years.

The relationship between RHNA, RTP, and SCS is inherent to the goals of SB 375, which seeks to create an integrated land use, housing, and transportation plan that is both feasible and equitable. In fulfillment of the Housing Element Law, the RHND establishes the existing and projected total housing need at least two years prior to the scheduled Housing Element revision. The RHNA process completed by ABAG allocates shares of the established regional housing need to each city, town, and unincorporated portion of the county at least one year prior to the scheduled revision. Since housing development is inextricably linked to land use and transportation investments, SB 375 encourages consistency between the RHNA methodology and the federally required RTP that is reinforced through the OneBayArea Grant (OBAG). This consistency comprises the backbone of the SCS Preferred Scenario, whereby housing allocations will be prioritized by Place Types and Priority Development Areas (PDAs).

Since January 2011, staff from ABAG and MTC has been working with the members of the SCS Housing Methodology Committee—which is made up of staff and elected officials from all nine counties as well as stakeholder groups—to develop the framework for the RHNA methodology. The committee's discussions to date have focused primarily on determining how best to promote consistency between RHNA and the development pattern of the SCS, while ensuring that the allocation of housing need also meets the specific objectives of Housing Element law, including that

every jurisdiction accommodate its fair share of the region's housing need. With the passage of SB 375, the housing allocation plan must allocate housing units within the region consistent with the development pattern included in SCS.

Overview of 2014-2022 RHND Methodology

For the fifth RHNA cycle, HCD determined ABAG's regional housing need to be 187,990 units for the 8.8 year projection period from January 2014 through October 2022. This determination is based on population projections produced by the California Department of Finance (DOF) and was derived with consideration of the extraordinary uncertainty regarding national, state, local economies and housing markets. For this cycle only, HCD made an adjustment to account for abnormally high vacancies and unique market conditions due to prolonged recessionary conditions, high unemployment, and unprecedented foreclosures.

The proposed RHNA methodology framework is based upon the following four elements:

1. Sustainability Component

- *Jobs-Housing Connection (Preferred Scenario)* is based on 2010-2040 economic, demographic, and analyses the regional growth is predicted to include an additional 1.1 million jobs, 660,000 housing units, and 700,000 households. These projections take into account changes due to the recession, vacancy rates, group housing, and household size. The Jobs-Housing Connection focuses 73% of housing and 66% of job growth by county in PDAs. This policy assumes major investments and policy changes to affordable housing and infrastructure development.

2. Fair Share Component

- *Upper Housing Threshold*: if growth in PDAs meets or exceeds 110% of the jurisdiction's household formation growth based on the Sustainability Component, it would not be assigned additional growth based on the Fair Share Components. The Upper Housing Threshold ensures that cities which exhibit desirable amenities to support growth (such as PDAs and areas with transit and employment opportunities) are not overburdened by being allocated growth beyond their infrastructural capacity (*Factor 2a*).
- *Minimum Housing Floor*: jurisdictions would be assigned a minimum of 40 percent of household formation growth; however, a jurisdiction's allocation would be capped at twice what it received during the 2007-2014 RHNA period if its growth was increased to the 40 percent minimum in the SCS Preferred Scenario *and* its allocation based on the proposed methodology would be more than twice its 2007-2014 allocation. This factor encourages all jurisdictions to produce a portion of total housing need. It also ensures that, along with the number of mechanisms for promoting infill development in transit-rich areas (including the Sustainability Component and the Transit Factor), less-intensely developed areas with a need for worker and farm worker housing are still required to plan new housing (*Factor 8*).
- *Fair Share Factors*: the original housing element law requires that all cities and counties in California engage in detailed planning to meet their housing needs. The RHNA and SCS

processes help to facilitate this requirement and ensure that each municipality in a region provides for their “fair share” of affordable housing.

Past RHNA Performance (total low- and very-low income units permitted)

- The number of units permitted will likely be related to the market demand for housing – for example, in cities with inclusionary housing ordinances or developer impact fees to fund affordable housing, a hot housing market will produce larger numbers of permits for affordable housing development (*Factor 4*).
- Jurisdictions with insufficient past RHNA performance likely also suffer from high housing costs (*Factor 7*).

Non-PDA employment (number of jobs)

- Allocating housing in accordance with employment opportunities encourages a balanced relationship between jobs and housing (*Factor 1*).

Transit (frequency and coverage)

- Considering both the coverage and frequency of available transit throughout a jurisdiction in the RHNA methodology will maximize use of existing public transit infrastructure (*Factor 3*).

Household growth is influenced by local land use plans and policies, including planned and protected agricultural lands (*Factor 2d*), open space and parks (*Factor 2c*), city-centered growth policies, urban growth boundaries (*Factor 5*), and any physical or geological constraints. Ensures housing allocation is not based solely on existing amenities but also planned or projected growth.

3. Income Allocation

- Promotes an equitable regional income distribution. In jurisdictions which have a low share of very low and low-income housing this factor will increase their responsibility for the provision of affordable housing towards the regional average (*Factor 6*).
- Government Code Sections 65584 (d.1) and 65584 (d.4) state that the goals for the Regional Housing Needs Allocation process include increasing the housing supply and the mix of housing types and levels of affordability in all cities and counties in an equitable manner, as well as allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that category. This 175% shift method ensures that jurisdictions receive lower allocations for housing of a given affordability level if they already supply a disproportionate amount of that housing category, in accordance with state objectives. This also promotes the state objective for increasing the mix of housing types among cities and counties equitably.

The income distribution for the region is similar to the 2007-2014 RHNA period:

	2007 – 2014 RHNA	2014 – 2022 RHNA
Very Low	22.8%	24.8%
Low	16.4%	15.4%
Moderate	19.3%	17.8%
Above Moderate	41.6%	42.0%

4. Sphere of Influence Adjustments

Every city in the Bay Area has a “Sphere of Influence” (SOI), which can be either contiguous with or go beyond the city’s boundary. The SOI boundary is designated by the county’s Local Area Formation Commission (LAFCO). The LAFCO influences how government responsibilities are divided among jurisdictions and service districts within a county. The SOI is considered the probable future boundary of a city and a city is responsible for planning areas within its SOI.

The RHNA methodology includes rules for allocating the housing need for a jurisdiction’s SOI where there is projected growth in the area. **With the exception of Marin County, the 2014-2022 RHNA has been based on the same approach regarding SOI in the 2007-2014 RHNA. Changes made to Marin County’s SOI have been noted below:**

1. In Napa, San Mateo, Santa Clara, Solano, and Sonoma counties, the allocation of housing need generated by the unincorporated SOI was assigned to the cities.
2. In Alameda and Contra Costa counties, the allocation of housing need generated by the unincorporated SOI was assigned to the county.
3. In Marin County, 62.5 percent of the allocation of housing need generated by the unincorporated SOI was assigned to the city; and 37.5 percent was assigned to the county.